

Message Text

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ORIGIN OPIC-06

INFO OCT-01 AF-10 ISO-00 EB-08 /025 R

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P 202301Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY KIGALI PRIORITY

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FROM OPIC

E.O. 11652: N/A

TAGS: EFIN

SUBJECT:TEA PROJECT

1. OPIC HAS JUST SPOKEN WITH JOE WERTHEIM PRESIDENT OF
TEA IMPORTERS INC. AND LEARNED OF OCIR LETTER AMENDING THE
MARKETING CONTRACT OF SIRT. OPIC SEES THIS AS VERY SERIOUS
BREACH BY RWANDAN GOVERNMENT IN ITS SUPPORT OF THE TEA
PROJECT AND REQUESTS AMBASSADOR DISCUSS SITUATION FULLY
WITH SIRT MANAGER ARCHER. UNILATERAL AND UNEXPECTED
ACTION BY OCIR AND NATIONAL BANK RWANDA CALLS INTO QUESTION
GOR ACCEPTANCE OF BASIC OBJECTIVE OF U.S. INVESTOR AND
LENDERS, NAMELY OPERATION OF A SUCCESSFUL MARKETING
COMPANY AND TEA FACTORY THROUGH A PROFITABLE JOINT VENTURE
BETWEEN U.S. AND RWANDAN INTERESTS. AGREEMENTS SIGNED IN
FEBRUARY 1975 WERE THE BASIS FOR NOT ONLY TEA IMPORTERS
INVESTMENT IN RWANDA BUT ALSO WILLINGNESS OF OPIC AND IFC
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TO LEND FUNDS FOR PROJECT. WHILE LENDERS STILL HAVE FUNDS
TO DISBURSE, THREAT TO WITHHOLD THEM CAN POSSIBLY BE
EFFECTIVE IN FORESTALLING ACTION. HOWEVER, VERY ACT OF
ATTEMPTED AMENDMENT OF MARKETING CONTRACT BY RWANDANS
GIVES US NO COMFORT THAT ONCE FUNDS ARE FULLY DISBURSED
RWANDANS WILL NOT EXPLOIT LENDERS AND INVESTORS LACK OF
LEVERAGE AND EITHER EXPROPRIATE OR OTHERWISE RADICALLY

MODIFY PROJECT. DOES RECENT ACTION REFLECT CHANGES GOR

POLICIES LIKELY TO OCCUR WHEN BIRARA LEAVES BNR?

2. OPIC AWAITS AMBASSADOR'S ADVICE AND COMMENTS ON THIS MATTER.

3. OPIC AND IFC HAVE DISBURSED ALL AMOUNTS UNDER LOAN AGREEMENT (465,000 EACH) AND ARE ANTICIPATING REQUEST FOR OVERRUN FUNDS (DOLS 70,000 EACH) AS AGREED IN PROJECT FUNDS AGREEMENT IN NEXT MONTH OR TWO. RECENT OPIC/IFC ANALYSIS OF PROJECT EXPENDITURES TO DATE BUDGET, AND CASH FLOW PROJECTIONS INDICATED NEED FOR ADDITIONAL DOLS 250,000 TO COMPLETE PHASE I OF PROJECT. REASON FOR THIS SHORTFALL IS THAT PART OF THE ORIGINAL FUNDING (ABOUT DOLS 250,000) WAS SPENT TOWARD THE EXPANSION OF THE FACTORY (PHASE II). EXPANSION WILL BE REQUIRED SOONER THAN ORIGINALLY PLANNED DUE TO HIGH YIELDS IN CYOHOHA-RUKERI VALLEYS, BUT REMAINING DOLS 500,000 NEEDED TO COMPLETE PHASE II CAN BE FINANCED OUT OF CASH FLOW ONCE FACTORY IN OPERATION. IN ORDER TO FINISH PHASE I ON TIME (JUNE/JULY) SIRT IS ASKING RDB FOR THE DOLS 250,000 SHORTFALL IN THE FORM OF A LOAN. ANALYSIS SHOWS LOAN CAN BE REPAID OUT OF CASH FLOW. IN LETTERS TO SIRT, RDB INDICATED WILLINGNESS TO CONSIDER SUCH FINANCING. WERTHEIM WILL BRING DETAILS WITH HIM APRIL 8. VANCE
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